

My class of customers

By TRENT HUMMEL

IT'S BEEN TOUGH selling and it won't be easier this winter. It doesn't take much to upset the apple cart and every month it seems a truckload is turning upside down.

We have to find sales. The traditional methods of how we target our A, B and C customers are not working. But what are A, B and C customers?

Customers have been classed and targeted using various methods. A few methods shared by dealerships are as follows:

- **Acres Farmed** (most common) – Class A, B and C have a certain number of acres. The more acres farmed, the higher the class. This format misses out on bushels/acre quantities or types of crops grown. A dryland, high plains producer does not produce the same bushels/acre as a Midwestern farmer.

- **Livestock Count** – A, B and C class is based on head count. As this is written, the U.S. dairy farmer with more cows is likely further behind. Beef prices are never consistent, meaning farm gate receipts are never consistent regardless of the animal count.

A customer has a few cows and grows more hay than he needs. This year he is making money on his hay sales but the dealership has him classed as a C since he only has a few heifers.

There are many variables in livestock, i.e., intensive or free range, type of animal, organic production, niche markets, etc.

- **Past Purchases** – A, B and C are classed on volume of past dealership purchases. This has merit because customers should be recognized for their loyalty to a dealership.

The misunderstanding is dealerships do not always make money on A-listed customers. In the last few years, many dealerships have stopped quoting A accounts or they are quoting with high cash differences.

We have always wanted to ask an A-listed customer if he understands why the dealership seems to be chasing him off when only a few short years ago he was being wined and dined?

- **Unit Quantity** – Dealerships class customers based on the number of units a farm has. The problem lies with no one knowing which units are leased and which are owned. How much money is owed on each unit? Are they upside down on equity?

More does not always mean better. As in a dealership, more employees might be an indication of low people/process efficiencies.

We have recently been exposed to a number of dealerships with recovery rates well below 30% (target 75%) and billing efficiencies at 50%-60% (target 100%+). The dealerships are not improving processes. They are hiring more people to compensate.

How should we class the following customers?

Customer 1

This customer farms 1,500 acres in an area where 5,000+ acre farms are common. The customer has converted his farm shop to a woodworking shop where he custom builds high-end furniture. He does not have any employees except his dad who helps with planting/harvest. This customer is not adding acres. His farm is not moving ahead but all the land is paid for.

In the last seven years, this farmer has bought seven units (every year a single unit from the same dealership). Not high-end units. Mostly the last trade in a series of trades.

The customer buys on the condition he will pick up the unit at the prior farm and expects no reconditioning. His check is always good and he never complains about the unit. According to the classing methods above, he is a C customer.

Customer 2

The following customer is defined as an A customer. It's an 8,000-acre farm. The owner's high-ticket equipment is on a multiyear rotation purchase schedule. His units are well kept, well maintained and stored inside. With this, he is able to sell his units online, word of mouth or at auctions.

Sounds like an A customer. But he informed us that in the last six years, he has bought every unit at auction. Outside of parts and service, has not spent a dollar at a dealership. He commented that auction prices are reasonable and he has the cash to do so.

Customer 3

This is an A classed farming operation made up of 14,000 acres. The operators are young

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and aggressive. They have adapted and use the latest technology. They are good farmers and good stewards of the land. Dealerships are falling over each other for a slice of their business.

When buying land, they were drunk on low interest rates. They also signed multiyear, high-dollar land rental agreements. In today's agriculture climate, they are currently puckered and secretly cost cutting where they can, refinancing at the bank, selling high payment units, and attempting to renegotiate with landlords.

Customer 4

Listed as a B customer, this farm is a mix of irrigation and dryland. The farm was not moving ahead in acres but the operators have been experimenting with nontraditional crops. In recent years, a son has returned to farm with his dad.

Every neighbor thinks this is an oddball or weird farm. The owners planted 17 different kinds of crops. Their spread-out harvest starts mid-July and is finished in November. The dealership noted this farm generated the highest number of on-farm service. This crazy 17 crop farm is making money. On average, one-third of the crops do not break even, one-third has average earnings and one-third is over the top earnings.

The customers mentioned in this article have been shared from Western Equipment Dealers Association members. We suspect every dealership can relate to these four types.

A dealership's success is going to be based on how well it recognizes that the traditional methods and customers are not the same as what we have been targeting. As farms adapt, so must we.

It was fun to hit all the homeruns in 2018. But survival in 2019 will be about hitting singles and hitting lots of them. Figuring out where we can get the singles will be key to getting through this. We might learn a thing or two about gaining a new customer... and that's just good business. **WED**



TRENT HUMMEL

is a fourth-generation agricultural equipment dealer and a leader in the equipment industry.